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U.S.-CHINA PROSPECTS FOR TRADE

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Commissioner Jim Graham, Professor Kessler, and Hugh Kiger: thank you very much for arranging this important conference, and thank you for inviting me.

I regret that Secretary Bergland is unable to be here in person, but I am honored to represent him.

I felt a great honor on another day this year, as I stood in the chill of the South Lawn of the White House watching President Carter welcome Deng Xiaoping to the United States on January 29.

The President said on that occasion:

"There is a Chinese saying that seeing once is worth more than a hundred descriptions."

On that day, I did not fully appreciate the truth of his remark. After ten days in China, I understand it better.

I can also appreciate that ten days does not a China expert make.

I can, however, offer some impressions--a journalist's-eye-view of that 4,000-year-old civilization, what its trade prospects might be, and what we might gain from our new era of good feeling.

Secretary Bergland visited China last November. He found an intense interest among the leaders of the Beijing (Peking) government and Chinese agricultural leaders in the modernization of their agriculture and food sector.

Address by James C. Webster, Director, Office of Governmental & Public Affairs, U.S. Department of Agriculture at the Conference on U.S.-China Trade: The New Relationship sponsored by the North Carolina China Council, the International Trade Center, and the U.S. Department of Commerce at the Faculty Club, North Carolina State University, Raleigh, North Carolina, April 24, 1979.

It seems almost as if they were hungry for progress; they seemed to want to modernize overnight. In March, our delegation, led by Under Secretary of Agriculture Dale E. Hathaway, had the unanimous feeling that the Chinese have focused their hopes and plans far more sharply. They appear to have adopted a pragmatic, methodical approach--carefully planning the first step before committing to the second step, and so forth.

Our trip, involving seven U.S. farm trade development organizations and a specialist from the Commerce Department as well as USDA, was one specific outgrowth of the Secretary's trip.

Four other specific exchanges were arranged by the Secretary and officials of China's Ministry of Agriculture.

* A U.S. team will visit China in July to study biological control of agricultural pests, and a Chinese team will visit the U.S. in August.

* Animal disease experts from China will be in the U.S. in June, with our scientists visiting China in August or September.

* Germ plasm scientists--experts in plant breeding--of both nations will exchange visits in June or July.

* Later this year, we expect to exchange visits by officials responsible for economic and statistical information.

Our visit last month was focused directly on trade--specifically the long-term development of a Chinese market for U.S. agricultural exports, with particular emphasis on how trade fits in with China's modernization plans.

We reached handshake agreements to exchange delegations in several areas--seeds and grassland management, baking, feed processing and utilization, laboratory equipment, and animal husbandry.

China's agricultural leaders are giving further consideration to proposals by our market development organizations for agreements in fruit and vegetable production and processing, and in live animal trade.

All these agreements were developed by private, non-profit organizations which are somewhat unique in world trade. We at Agriculture use a shorthand term--"Cooperators"--to describe them.

The term has developed over the 25-years of the Cooperative Foreign Market Development Program, authorized by a lesser-known section of a well-known law--Public Law 480, later called the Food for Peace Act.

The primary role of the commodity groups is to educate foreign customers in the uses of their commodity and to provide them with technical assistance in improving that particular sector of their food system. This approach has helped to build substantial markets for U.S. agricultural commodities overseas during the past 20 years.

Currently, 46 cooperators representing products from peanuts to leather, have full-time market development projects abroad. The Foreign Agricultural Service (FAS) administers the program, the cooperators execute the projects and funding is shared.

Plans for technical exchange activities include a proposal by Western Wheat to set up a small completely mechanized bakery as a pilot demonstration project as part of the program to expand and modernize Chinese wheat food processing industries.

The cooperators are not salemen. Their role is to build the market for U.S. farm products. The private trade steps in to make the sale.

In approaching the Chinese, these groups are working from experience.

Let's look at their example in Japan. The first cooperator team visited Japan in 1956, representing cotton, wheat, soybeans and other commodities. Their early work paid off, but slowly. It took more than 10 years before Japan became a \$1 billion customer of U.S. agriculture. Another ten years--today--it is \$4 billion plus.

Building an export market does not often come in giant strides, but in slow and careful steps. This, I think, is a concept the Chinese can appreciate.

I believe also that they will appreciate our initiatives better if we approach them with an honest belief that we, too, have something to learn.

President Carter, in his welcoming remarks on January 29, told Vice Premier Deng:

"Our histories and our political and economic systems are vastly different. Let us recognize those differences and make them sources not of fear but of healthy curiosity; not as a source of divisiveness, but of mutual benefit.

"As long as we harbor no illusions about our differences, our diversity can contribute to the vitality of our new relationship. People who are different have much to learn from each other."

Nowhere is that more true than in agriculture.

Our scientists are excited. Plant breeders feel the Chinese might--just might--have a key genetic ingredient that can sharply increase the yield of soybeans. Their biological pest control methods may hold something for us to learn. And remember--here is a culture that practiced soil conservation and irrigation techniques long before our ancestors reached North America.

And perhaps, from the Chinese, the American can learn patience.

But what of our farm trade prospects?

China may well be a \$1 billion market for U.S. farm commodities in 1979. Only eight other countries reached that level of purchases from the United States this past year.

Speaking before a committee of the Senate on March 13, Secretary Bergland said:

"The rapid growth of our economic and political relationships with China has been perhaps the most significant development of the past year for U.S. agriculture and its supporting industries."

Chinese officials have said that in the future China will be importing some 10 million tons of grain annually, of which the U.S. share may be 5 to 6 million tons. Chinese officials have expressed interest also in regular purchases of U.S. cotton.

China's drive to modernize its economy also offers opportunities to business firms in our food-and-fiber sector. In November the Chinese discussed six areas where they are looking to firms, particularly U.S. firms, for purchases of technology--agricultural machinery, pesticides, seeds and seed processing, feed processing and use, plastics for agricultural use, and the food processing industry.

The Agricultural Trade Act of 1978 mandates that we open a number of Agricultural Trade Offices around the world in the next few years. We hope to open one of these offices in Beijing. Preliminary discussions concerning this office have begun with Chinese officials.

The Chinese are interested in increasing the role of livestock in China's agricultural production. They plan to develop large, specialized swine and poultry operations near urban areas and also to boost numbers of grazing livestock by carrying out pasture renovation and improvement.

We will face competition from other suppliers of all these commodities. China's foreign exchange earnings will be inadequate to support the massive program of purchases of plant and equipment that has been discussed.

Currently, China is not eligible for most-favored-nation tariff treatment nor for Export-Import Bank credits. Legislation to change these restrictions seems probable this year. Preliminary work already is underway on a possible trade agreement with China.

The potential for U.S. agricultural exports is substantial, but we must be realistic. There will be competition and there will be constraints on China's importing capability.

The ultimate goal of China's modernization program is agricultural self-sufficiency. We believe, however, that with private and government cooperation in market development efforts, China will be one of our major agricultural markets over the next several years.

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